



Department of Veterans Affairs

Report to Employees



Mission

"To care for him who shall have borne the battle and for his widow and his orphan."

-- Abraham Lincoln

Office of the Secretary
Washington, DC 20420

July 2005

SECRETARY'S STATEMENT

On February 1, 2005, I was sworn in as your Secretary of Veterans Affairs. It was an honor to place my hand on my family Bible and make a commitment to serve veterans and their families. My promise to serve veterans is dependent on the dedication and labor of some 220,000 VA employees who work in cities and towns across our great Nation. I am confident that, as a team, we will continue to fulfill the Department's mission.

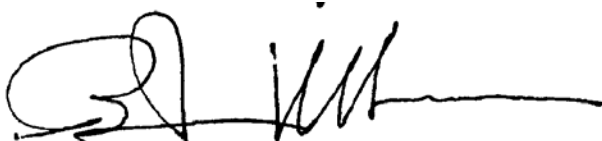
This *VA Report to Employees* highlights the significant accomplishments VA has made over the past year in each of our program areas, as well as improvements made in results-based management. I thank my predecessor, the Honorable Anthony J. Principi, for working closely with the President and Congress to secure support for veterans' programs. With your assistance, we can and must continue to improve the overall efficiency and effectiveness of our programs.

It is my vision that VA must ensure priority treatment and consideration for every seriously injured or ill service members returning from combat. The principal mechanism to achieve that vision is a seamless transition between the Department of Defense (DoD) and VA. We will continue to work closely with DoD by moving records more efficiently between the two departments, sharing critical medical information electronically, protecting the health of troops stationed in areas where environmental hazards pose threats, and processing claims as one shared system.

In concert with the seamless transition for today's service members, we must continue our steadfast commitment to providing high-quality and accessible health care that maintains our national standard of excellence. We must also continue to improve our disability compensation claims processing to deliver the timely and equitable benefits our veterans have earned. And, with grateful hearts, we must maintain our national cemeteries as memorials to the selfless contributions of our honored dead.

The coming year holds great promise for VA and the veterans we are proud to serve. At the same time, we face challenges as the number of veterans seeking our services increases, placing new demands on our infrastructure and our budgets. How we manage our resources is key to our continued success. In addition to the performance measures you may be familiar with, we are actively carrying out the President's Management Agenda (PMA) to improve our management processes. The PMA addresses such elements as human capital, financial performance, E-Government, budget and performance integration, faith-based and community initiatives, real property management, and VA/DoD coordination. Our efforts to achieve success in each PMA item area are supported by many employees, discussed at the White House, and shared with the general public.

The results that VA has achieved during the last year are impressive. I am pleased to share with you the following information on how the PMA and your efforts have directly benefited the lives of our Nation's veterans and their families.

A handwritten signature in black ink, appearing to read 'R. James Nicholson', with a long horizontal line extending to the right.

R. James Nicholson
Secretary of Veterans Affairs

WHO WE ARE

President Lincoln's simple proclamation ***"To care for him who shall have borne the battle, and for his widow, and his orphan"*** is our mission. This mission is driven by America's rich history of respect and care for those who served our Nation.

By providing world-class, cost-effective benefits and services to veterans and their families, VA continues to fulfill the commitment President Lincoln put forth over 140 years ago. To carry out our important mission, VA's total budget for FY 2005 is over \$69 billion. Of that amount, more than \$36 billion is for benefits programs, nearly \$31 billion provides medical care (including research), and over \$2 billion funds burial operations, the administration of memorial benefits, and other support functions.

More than 220,000 dedicated and professional employees¹ support VA's programs. These include those who support VA's health care system, one of the largest in the world. These include about 13,000 employees who provide benefits to veterans and their families, and nearly 1,500 employees who provide burial and memorial benefits to veterans, their eligible spouses, and their children. Women represent 57 percent and minority groups 36 percent of our workforce. We are working to ensure that they are represented at all levels of the organization. VA is a leader in hiring veterans, thus enhancing our ability to understand and meet veterans' needs.

VA has facilities in all 50 states, the District of Columbia, and some U.S. territories. We deliver services to veterans through our nationwide network of facilities.

WHO WE SERVE

Beginning with America's struggle for freedom more than two centuries ago, approximately 42 million men and women have served our Nation during wartime. Today, there are about 24.5² million veterans living in the United States, along with approximately 38 million family members of living veterans and survivors of deceased veterans. The 8.1³ million Vietnam-era veterans account for the largest segment of the veteran population. There are approximately 4.4 million World War II veterans, the second largest segment of the wartime veteran population. About 6.4 million veterans served during peacetime.

The median age of all living veterans is 59 years. Women comprise the fastest growing segment of our Nation's veterans, today numbering nearly 1.7 million. Although the size of the veteran population is expected to decrease to fewer than 18 million in 2020, it is projected that the demand for benefits and services will increase as the veteran population ages.

¹ Note to Employees: ***VA Managing for Results*** – This *VA Report to Employees* is organized by its strategic goals and the VA initiatives that contribute to the Government-wide President's Management Agenda (PMA). VA has become a more results-oriented Department by implementing four strategic goals. In short, these goals are focused on *Restoring the Physical and Economic Capabilities of Veterans*, *Ensuring a Smooth Transition for Veterans*, *Honoring and Serving Veterans*, and *Contributing to the Nation* through VA's programs. An additional *Enabling Goal* addresses crosscutting activities that enable all organizational units of VA to carry out the Department's mission by focusing on objectives that support its *People, Communications, Technology, and Governance*. The activities associated with these objectives closely parallel the PMA initiatives. By focusing on implementing these strategic goals and each of the initiatives of the PMA, VA has begun to integrate the PMA into its *managing for results* agenda. The purpose of this report is to indicate the progress of these efforts to employees.

² VetPop2004 Version 1.0 (VP04V1); www.va.gov/vetdata/demographics.

³ *Ibid*

WHAT WE ACCOMPLISHED IN HEALTH CARE, BENEFITS, AND MEMORIAL AFFAIRS

HEALTH CARE PROGRAMS

BASIC HEALTH CARE – VA provides high-quality, reliable, accessible, timely and efficient health care that maximizes the health and functional status for all enrolled veterans, with special focus on veterans with service connected conditions, those unable to defray the cost, and those statutorily eligible for care.

- The U.S. Department of Veterans Affairs is our Nation's largest health care provider. Our 157 hospitals, 887 outpatient clinics, 206 readjustment counseling centers, and 42 residential rehabilitation transition programs provide world-class care.
- The number of unique patients treated increased from 3.5 million in 2000 to nearly 5.1 million in FY 2004.
- VA continues to reduce the time veterans wait for appointments. The Veterans Health Administration (VHA) has substantially reduced the number of veterans on wait lists to 52,000 as of the third quarter of FY 2005 from 300,000 in July 2002. VHA has also reduced the number of new enrollees waiting for their first clinic appointment by 90 percent (17,875 from 176,000). As of the third quarter of FY 2005 the percent of primary care and specialty care appointments scheduled within 30 days of the desired date was at 95 percent and 96 percent, respectively.
- VHA's Care Coordination program combines home-based care with the latest medical technology allowing some veterans to electronically send daily updates on their health status to VA professional care givers. VHA has accelerated the implementation of care coordination through the establishment of 96 Home-Based Primary Care (HBPC) program sites.
- VA remains a leader in customer satisfaction, as shown by our benchmark-level scores on the American Customer Satisfaction Index (ACSI) from November 2004. VA scored an inpatient satisfaction level of 84 percent compared to 79 percent in the private sector and an 83 percent outpatient satisfaction level compared to 81 percent in the private sector. Both VA scores were up three percentage points from the previous year. VHA increased the percent of patients rating VA health care service as very good or excellent for inpatient care from 64 percent in FY 2001 to 77 percent in the first half of FY 2005 and from 65 percent in FY 2001 to 73 percent in FY 2004 for outpatient care.
- VA implemented a comprehensive plan for cardiac and emergency care based on t of a study by Harvard Medical School that indicated VA's level of care in these areas needed improvement.
- The Secretary's Capital Asset Realignment for Enhanced Services (CARES) decision (May 2004) identified 18 VA Medical Centers needing further study. During Stage II of CARES, the consulting firm of *PriceWaterhouseCoopers* will perform additional CARES Business Plan Studies for these sites with a completion date of March 2006.⁴

⁴ VA's website, www.va.gov/CARES, contains the current status of these studies. The new *VHA FY 2006-2010 Strategic Planning Guidance* will allow VISNs to update information on the CARES initiatives and the implementation process of facilities not involved in the current studies.

- In 2004, VA health care exceeded the best-reported national performance data on all indicators of health care quality, including cancer screening, diabetes screening and treatment, and controlling hypertension. For example, in FY 2004, VA's score for breast cancer screening was 84 percent compared to 75 percent in the private sector, 96 percent for cholesterol screening in diabetics compared to 91 percent in the private sector, and 76 percent of VA patients had blood pressure readings below a specific threshold on their latest visit compared with 62 percent of private sector patients.
- According to an independent study by the RAND Corporation, patients in the VA health care system received significantly better care than those in the private sector. VA patients received 67 percent of recommended care compared with 51 percent in the private sector, 72 percent received chronic care compared with 59 percent in the private sector, and 64 percent received preventative care compared with 44 percent in the private sector.
- The major goal of a \$7.2 million grant funded in FY 2005 is to create "bio-hybrid" limbs that use human tissue and space age technology to assist amputees. The five-year grant will fund the new Center for Restorative and Regenerative Medicine to be operated jointly by the Providence VA Medical Center, Brown University, and the Massachusetts Institute of Technology. Scientists hope to create "bio-hybrid" limbs that will use regenerated tissue, lengthened bone, titanium prosthetics and implantable sensors that allow amputees to use nerves and brain signals to move arms or legs.
- VA launched three health care websites: one to provide Gulf War-related medical research information to veterans and their families; a second to disseminate information about VA programs, benefits, and services for women veterans; and a third site to provide information on hepatitis C for veterans and non-medical VA employees with links to other websites. The site also offers information for health care providers that is searchable by topic and includes best practices and guidelines.
- VA's Consolidated Mail Outpatient Pharmacies (CMOPs) have continued their success in providing timely prescriptions to veterans. The average turnaround time of a prescription in a CMOP is less than 36 hours and the average mailing time to patients is less than three days. In FY 2004, VA filled over 88 million prescriptions through our CMOPs.
- VA implemented a comprehensive plan for cardiac and emergency care following the receipt of a study by Harvard Medical School that indicated that VA's level of care in these areas needs improvement. The VA Cardiac Care Program Evaluation found that VA patients had higher mortality after a heart attack than similar patients treated in the private sector. One contributing factor was the fact that many veterans were traveling past private hospitals to seek care at their local VA medical center despite their emergent condition. To address this, a sophisticated education effort was launched to teach veterans how to recognize the symptoms of a heart attack and to instruct them to go to the closest hospital for treatment. VA has introduced legislation allowing VA to pay for emergency care treatment at private hospitals.

SPECIAL HEALTH CARE PROGRAMS – We strive to maximize the physical, mental, and social functioning of veterans with disabilities and be recognized as a leader in the provision of specialized health care services.

- In November 2004, the Secretary approved VHA's first Comprehensive Mental Health Strategic Plan. VHA has begun implementation of the plan, including reducing variability in access to care, enhancing Post Traumatic Stress Disorder (PTSD) services, restoring VA substance abuse treatment services, emphasizing the recovery model to facilitate each veteran's achievement of his or her optimal level of functional capability, and addressing the specific needs of veterans of different ages, races, ethnic groups, and genders. Funds have been allocated in FY 2005 to continue implementation of the Mental Health Strategic Plan initiatives.
- In FY 2005, VHA committed to developing specialized expertise in the care of patients with multiple traumas at four VHA Poly-trauma Centers located at the sites of current VHA Traumatic Brain Injury Lead Centers (Richmond, VA; Tampa, FL; Palo Alto, CA; and Minneapolis, MN). The new Poly-trauma Centers will provide coordinated health and rehabilitation services to active duty service members and veterans who have experienced severe injuries resulting in multiple traumas, including spinal cord injuries, brain injuries, visual impairment, amputations, combat stress, and PTSD.
- VA is working with DoD to ensure that veterans or service members returning from Iraq and Afghanistan with an injury or illness have timely access to VA's special health care services. This includes treatment for spinal cord injuries, amputations, blindness, traumatic brain injuries, and post-traumatic stress disorder.
- VA established six centers specializing in research, education and clinical care for Parkinson's disease, two Centers of Excellence for the research and treatment of Multiple Sclerosis, and two centers specializing in studying the treatment of war-related illnesses among military patients and veterans.
- VA has made strong progress since 2003 in improving services for American Indian and Alaska Native (AI/AN) veterans. In FY 2005, more than 40 sharing and collaborative programs are taking place with the Indian Health Service and Tribal health providers across the country. More than 75 separate events have been held to provide information and assistance to AI/AN veterans. At the national level, three pilot programs have been initiated for the sharing of educational resources, prevention of diabetes, and establishment of community support for returning AI/AN veterans from Operations Iraqi Freedom and Enduring Freedom.
- VA increased its scores on the Prevention Index II for special populations from 80 percent in FY 2003 to 86 percent in FY 2004.

SEAMLESS TRANSITION – VA eases the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.

- In 2005, VA established the Seamless Transition Office to improve collaboration and communication between DoD and VA by ensuring that VA staffs are educated in transition procedures; improving outreach to returning service members; and providing priority consideration and world-class service for those returning from combat theaters with service-related conditions. The office coordinates the transition to both VA's health care and benefits systems.

- VA established clear policies for addressing the needs of returning service members. Every Iraqi Freedom and Enduring Freedom veteran – regular, Reserve, or National Guard – who serves on active duty in a theater of combat operations is eligible for hospital care, medical services, and nursing home care necessitated by, or linked to, their military service. Care may be provided at no cost for a period of two years beginning on the date of discharge or release from the military. VA is developing guidelines for collaborating with DoD on transitioning the health care of injured and ill returning combat veterans from Military Treatment Facilities to VA facilities.
- VA and DoD are adopting common standards for electronic health records. In May 2004, 100 percent of VA Hospitals were provided electronic access to health information by DoD for separated service members. Today, DoD sends VA patient data on lab results, radiology reports, outpatient pharmacy information, and patient demographics. VA and DoD continue to make progress on a health data repository architecture that is interconnecting VA and DoD's medical information systems.

MEDICAL RESEARCH AND DEVELOPMENT – VA advances medical research and development programs that address veterans' needs, with an emphasis on service-connected injuries and illnesses, and contributes to the Nation's knowledge of disease and disability.

- The Technology Transfer Program seeks to disseminate new discoveries and inventions made by VA researchers to improve health care for veterans and non-veterans. VA has developed a Cooperative Technology Administration Agreement (CTAA) to enhance cooperation between academic affiliates and VA and to facilitate the technology transfer process. The CTAA allows ownership to remain with VA, while providing the academic affiliates unimpeded access and authority to patent and market the intellectual property in question. As of June 2005, VA has executed 63 CTAA's with some of the leading research institutions in the country.
- VA has embarked on prosthetics, amputation, and other health care research partnerships with DoD. Collaborations with the Walter Reed Army Medical Center, the Defense Advanced Research Projects Agency, and Brooks Army Medical Center are used to compare prosthetic designs, define standards of function, evaluate psychological issues faced by returning service personnel, determine psychosocial issues that challenge successful reintegration, and initiate longitudinal studies to be carried out as the injured members' transition into VHA.

MEDICAL EDUCATION – We sustain partnerships with the academic community that enhance the quality of care to veterans and provide high quality educational experiences for health care trainees.

- VA creates partnerships with the academic community that allows VA to enhance the quality of care to veterans, recruit highly qualified employees, and provide valuable educational experiences for health care trainees. In addition, VA's Special Fellowship program creates in-depth training experiences in health care fields directly related to veterans' needs.
- VA trained approximately 31,000 physician residents and 17,000 medical students in FY 2004. Altogether, about 70 percent of physicians in the U.S. receive some portion of their training in VA. In addition, as a partner in 5,000 associated health programs across the country, VA has trained nearly 40,000 additional medical personnel.
- In 2004, 84 percent of medical residents and other trainees rated the value of their VA clinical training experience as satisfactory or higher, and 88 percent of these trainees would recommend VA clinical training to others.

BENEFITS PROGRAMS

DISABILITY COMPENSATION – VA provides timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.

- In FY 2004, almost 619,000 veterans received rating decisions on their disability compensation claims. VA added approximately 62,000 beneficiaries to its compensation and pension rolls, bringing the total number of beneficiaries to nearly 3.5 million. These payments in FY 2004 exceeded \$30 billion.
- For the 12 months ending May 2005, VA processed 2,109,554 award payments. By the end of FY 2005, it is projected we will handle more than 6.4 million phone calls, conduct more than 1 million personal interviews, prepare more than 340,000 non-claim related pieces of correspondence, and conduct almost 78,000 fiduciary-related activities, including field examinations and account audits.
- According to the *2004 Survey of Veterans Satisfaction with the VA Compensation and Pension Claims Process*, 60.9 percent of all surveyed veterans were *very or somewhat satisfied* with the way their claims were handled. This is the highest satisfaction rate since the survey began in 1996. More than 70 percent of veterans who rated their satisfaction with VA as positive indicated that VA employees were *very or generally helpful*, and that the claims process reflected the courtesy, compassion, and respect due to a U.S. veteran.
- Compared with four years ago, we are processing almost 40 percent more claims per month, despite the increased complexity of claims. Our output of disability compensation claims decisions increased from an average of 40,000 per month in FY 2001 to 69,000 per month in FY 2003. However, it decreased to 51,580 per month in FY 2004, and then rose again during the October 2004 through the May 2005 period – to an average of 56,083 per month. The decrease from FY 2003 is mainly the result of a significant increase in the number of issues (disabilities) per claim filed by each veteran.
- As more claims are being filed, we are challenged to reduce the backlog of pending claims. At the end of September 2004, we had 321,458 claims pending. At the end of May 2005, there were 342,411 pending claims, of which 71,910 (21 percent) were pending for over six months. The average time to process a disability compensation claim was reduced from 203 days in January 2002 to 111 days in September 2003. However, it increased to 120 days in September 2004.⁵

VOCATIONAL REHABILITATION AND EMPLOYMENT (VR&E) – VA provides all service disabled veterans with the opportunity to become employable and obtain and maintain suitable employment, while providing special support to veterans with serious employment handicaps.

- Nearly 65,000 disabled veterans applied for vocational rehabilitation and employment benefits last year, of which almost 33,000 were found entitled. Over 53,000 disabled veterans participated in a VA rehabilitation program during FY 2004, and another 16,000 were in the evaluation and planning stages of their program at year's end. Approximately 11,100 disabled veterans were successfully rehabilitated in FY 2004.
- VR&E Service produced a 30 minute Chapter 31 Orientation Video, *Veterans & VR&E Working Together: VR&E's 5-Track Employment Program*, which provides a standardized introduction to

⁵ Increases in disability compensation claims inventory and days pending are the result of several factors, including VA's improved outreach to service members before separation, increased numbers of claims from Vietnam era veterans whose disabilities have worsened with age, and service members returning from Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF).

VA's employment options for veterans attending Disabled Transition Assistance Program (DTAP) sessions or participating in their initial vocational rehabilitation counseling appointments.

- VR&E developed several new employer partnerships to increase suitable job opportunities and support services for veterans with disabilities, including participating in a faith-based pilot at four YMCAs and national cooperative agreements with organizations such as Helmets to Hardhats. This program assists veterans in obtaining apprenticeships, on-the-job training, and journeyman employment in the building and construction industry and the Army Materiel Command.
- VBA Central Office approved Certified Rehabilitation Counselor continuing education credits for training programs and for other quality educational programs that meet Certified Rehabilitation Counselor Commission standards.
- The Disabled Transition Assistance Program is helping to ensure that OEF/OIF service members receive correct and consistent information. More than 300,000 copies of the new VR&E Guide Books were distributed to Regional Offices and overseas locations.

DEPENDENCY AND INDEMNITY COMPENSATION – We seek to improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.

- VA completed formal evaluations of both the Dependency and Indemnity Compensation (DIC) and Parents' DIC programs that provided useful information and recommendations to ensure the needs of survivors are being met.
- For the past three years, VA has participated in a joint effort between VA and DoD for all cases where a service member dies on active duty. Typically, the DIC application is provided when the surviving spouse is visited by the assigned Military Casualty Assistance Officer (CAO) and/or the VA CAO from a VA Regional Office. VA's objective is to process the claim within 48 hours of receipt, which is being achieved in nearly all cases.

SEAMLESS TRANSITION – VA eases the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.

- From October 2004 through May 2005, VA military services coordinators conducted 5,279 Transition Assistance Program and Military Services Briefings attended by 216,448 active duty personnel and their families residing in the United States. VA also conducted 361 briefings attended by over 9,793 service members based overseas.
- From October 2004 through March 2005, VA representatives conducted 974 pre- and post-deployment briefings attended by more than 68,300 Reserve/Guard members. Returning members can also elect to attend the formal Transition Assistance Program workshops.
- As of June 7, 2005, 6,265 hospitalized returning service members have been provided information and assistance at Walter Reed Army Medical Center in Washington, DC, Bethesda Naval Medical Center in Maryland, and other major facilities.
- Through the Seamless Transition Task Force, VA has worked closely with DoD to ensure that services and benefits are provided expeditiously to veterans returning from Operation Iraqi Freedom and Operation Enduring Freedom. VA has accelerated initiatives to streamline interagency activities

to facilitate the seamless transition of service members to veteran status, and ensure continuity of care is maintained for those individuals whose medical care is transferred from the Military Health Care System to the VA Health Care System.

- VA conducted Benefits Delivery at Discharge (BDD) Programs at 140 sites to help service members' transition to civilian life and ensure continuity of care to those separating or retiring from military service. In 2004, approximately 54 percent of separating service personnel who filed a VA claim for disability compensation within one year of discharge utilized the BDD program.

EDUCATION PROGRAMS – VA provides timely and accurate decisions on education claims and payments at appropriate levels to enhance veterans' and service members' ability to achieve educational and career goals.

- Education benefits paid to eligible beneficiaries for pursuit of educational or vocational objectives totaled more than \$2.4 billion in 2004, an increase of 14 percent over 2003.
- The number of students receiving benefits each year continues to climb. More than 490,000 students received benefits in 2004, an increase of 4 percent over 2003. Twenty-two percent of these students received VA education benefits for the first time.
- The President's E-Government Initiative supported administration of VA Education Programs in the following ways:
 - Almost 47,000 individuals sent their benefit applications electronically in 2004. This is an increase of 25 percent over the 37,000 who filed electronically in 2003.
 - Students are required to send a monthly verification of attendance, a legislatively mandated step in the benefit delivery process that triggers the release of a student's benefit payment. In 2003, students sent an average of 73,000 verification messages per month using a VA Internet application designed for this purpose. This number increased to over 100,000 per month in 2004 and has increased to over 105,000 per month during the first half of 2005.
 - Education Service installed the *RightNow Web eService Center* in the GI Bill Web site resulting in improved claimant self-service access to information. *RightNow Web's* "Ask A Question" feature enables users to find answers to their questions via the website without having to call or e-mail. During 2004, *RightNow Web* logged 2.7 million user sessions, with 96.2 percent finding what they needed without sending an inquiry to the Regional Processing Offices.

HOME LOANS – We seek to improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.

- Last year, VA guaranteed approximately 335,000 home loans worth over \$44.1 billion. From the beginning of this fiscal year through May 2005, 108,453 loans totaling \$15.7 billion have been guaranteed. In addition, specially adapted housing grants totaling \$21.1 million were provided to 470 disabled veterans in FY 2004.
- In December 2004, legislation was passed which tied the maximum VA home loan guaranty amount to the conventional conforming loan limit. VA guarantees part of an eligible veteran's loan amount, allowing the veteran to obtain a competitive interest rate without having to make a down payment. As a result of this law, veterans' purchasing power for a single-family residence increased to \$359,650 in 2005, and will automatically adjust when the conventional conforming loan limit changes

each year. This is especially beneficial to veterans who wish to use their home loan benefit in high-cost housing areas.

PENSION – VA processes pension claims in a timely and accurate manner to provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity.

- In 2001, VA consolidated annual maintenance functions for the Pension and Parents' DIC programs to Philadelphia, Milwaukee, and St. Paul to improve processing times, reduce overpayments, improve quality, and decrease program administrative costs. The result has been a significant improvement in accuracy – from 76 percent in FY 2002 to 84 percent in FY 2004.

INSURANCE – VA maintains a high level of service to insurance policy holders and their beneficiaries to enhance the financial security for veterans' families.

- All Service Members' Group Life Insurance claims arising from Operation Enduring Freedom and Operation Iraqi Freedom are paid within two days of receipt of the necessary documents.
- Special outreach to recently separated severely disabled veterans resulted in \$96 million in life insurance coverage that would not otherwise have been issued.
- The maximum benefit amount of Service Members' Group Life Insurance increased from \$250,000 to \$400,000, and a new program to insure members against serious traumatic injury for up to \$100,000 was created.

SOCIOECONOMIC BENEFITS FOR THE NATION – We seek to enhance the socioeconomic well being of veterans, and thereby the Nation and local communities, through veterans' benefits, assistance programs for small, disadvantaged and veteran-owned businesses, and other community initiatives.

- In FY 2004, VA's Office of Small and Disadvantaged Business Utilization and Center for Veterans Enterprise attended 89 conferences in 123 cities, in 43 states and Puerto Rico, as part of its continued outreach to small businesses, providing attendees with presentations, speeches, and training on small business programs, as well as VA's acquisition operations and opportunities. Over 22,000 individuals attended these events.
- In FY 2004, 28.5 percent of VA procurement dollars were awarded to small business.

MEMORIAL AFFAIRS PROGRAMS

BURIAL NEEDS – VA ensures that the burial needs of veterans and eligible family members are met.

- VA increased the percent of veterans served by a burial option within 75 miles of their residence to 75.3 percent in 2004, an increase from 2003.
- VA started development of 11 new national cemeteries to serve veterans in the areas of Atlanta, GA; Detroit, MI; Pittsburgh, PA; South Florida; Sacramento, CA; Bakersfield, CA; Birmingham, AL; Columbia/Greenville, SC; Jacksonville, FL; Sarasota, FL; and Southeastern Pennsylvania.
- In 2004, VA interred more than 93,000 veterans and eligible family members in 120 VA national cemeteries. Surveys found that 94 percent of respondents rated the quality of service provided by VA national cemeteries as excellent.

- The Idaho State Veterans Cemetery was established with a grant provided by VA's State Cemetery Grants Program. The cemetery opened in November 2004, marking the milestone of providing a veterans cemetery in every state in the Union.

SYMBOLIC EXPRESSIONS OF REMEMBRANCE – VA provides veterans and their families with timely and accurate symbolic expressions of remembrance.

- In 2004, VA marked 87 percent of graves in national cemeteries within the goal of 60 days from interment, an increase from 49 percent in 2002.
- VA processed approximately 351,000 applications for headstones and markers to mark the graves of eligible persons in national, state, and other public and private cemeteries throughout the world.
- In 2004, VA provided approximately 436,000 Presidential Memorial Certificates to families recognizing the contributions and service of honorably discharged deceased veterans.

NATIONAL SHRINE COMMITMENT – VA ensures that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

- In order to ensure a high performing, well-trained workforce, the National Cemetery Administration Training Center, located in St. Louis, MO, was established. The Center will provide employees with the training necessary to continue to provide high quality service to veterans and their families and to maintain our national cemeteries as national shrines. As 11 new national cemeteries become operational, the Center will ensure consistency in operations throughout the national cemetery system as well as a high-performing workforce and well-trained staff for key positions.
- An Organizational Assessment and Improvement (OAI) Program has been established to identify and prioritize continuous improvement opportunities, and to enhance program accountability throughout the National Cemetery Administration by providing managers and staff at all levels with one NCA "Scorecard." As part of the OAI Program, assessment teams drawn from national cemeteries, Memorial Service Network offices, and NCA Central Office conduct site visits to all national cemeteries on a rotating basis to validate performance reporting.
- During 2004, VA collected baseline data for three new National Shrine Commitment measures, including the percentage of headstones and markers at the proper height and alignment; the percentage of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulation; and the percentage of gravesites that have level grades and blend with adjacent grade levels. NCA has identified the gap between current performance and its strategic performance goals.
- VA maintained more than 2.6 million gravesites in more than 7,000 developed acres in VA national cemeteries. Surveys found that 98 percent of respondents rated the appearance of national cemeteries as excellent.
- In 2004, VA launched a web-based Nationwide Gravesite Locator system. This innovation will make it easier for anyone with internet access to conduct genealogical research, search for the gravesite locations of deceased family members and friends, and may bring more visitors to the honored resting places that are national shrines and historical treasures.

VA'S ENABLING GOAL

THE FOCUS OF VA'S ENABLING GOAL IS THE DELIVERY OF WORLD-CLASS SERVICE TO VETERANS AND THEIR FAMILIES BY APPLYING SOUND BUSINESS PRINCIPLES THAT RESULT IN EFFECTIVE MANAGEMENT OF PEOPLE, COMMUNICATIONS, TECHNOLOGY, AND GOVERNANCE.

WORKFORCE AND HUMAN CAPITAL MANAGEMENT – We strive to recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.

- VA developed its *Strategic Human Capital Management Plan* that includes an overview of workforce trends, summaries of workforce plans, and strategies to ensure that VA recruits, retains, and develops a highly qualified and diverse workforce to serve veterans. VA is using this plan to analyze agency workforce challenges and develop strategies to address gaps that are identified. Progress has been made in some of our key occupations. For example, since FY 1999, the number of nurses at VA has increased 6.2 percent. Total employment losses for this occupation have declined 8 percent and total new hires for nurses have increased 72.4 percent.
- VA is increasing internal and external recruitment and retention programs focused on the employment and advancement of women, minorities, and people with disabilities, based on the Secretary's Task Force Report.
- VA is now using the Office of Personnel Management's (OPM) *Employee Express System*, which enables employee *self-service* transactions and saves the Department approximately \$2 million annually. Examples of *self-service* transactions include employee's updating of their own information for direct deposits, health benefits, home address changes, or the Thrift Savings Plan.
- VA enhanced its Senior Executive Service Candidate Development Program (SESCDP) that was established to develop future candidates for the Senior Executive Service (SES). A new class of 32 candidates was selected in 2004 to begin the program of intensive training and developmental experiences. The individuals selected for the SESC DP provide a diverse talent pool for senior leadership positions throughout all parts of the Department. Four members of the current SESC DP class have been placed in SES positions.

COMMUNICATIONS – VA strives to continuously improve communications with veterans, employees, and stakeholders about the Department's mission, goals, and current performance, and of the benefits and services VA provides.

- VA conducted an outreach to all former Prisoners of War (POW) not currently using VA benefits to inform them of benefits and services they may be entitled to receive.
- We launched the website www.va.gov/gulfwar to provide Gulf War-related medical research information to veterans and their families.
- VA developed the website www.va.gov/womenvet to disseminate information about VA programs, benefits, and services for women veterans.

INFORMATION TECHNOLOGY – VA seeks to implement a One VA information technology framework that supports the integration of information across business lines and that provides a source of consistent, reliable, accurate, and secure information to veterans and their families, employees, and stakeholders.

- In September 2004, the VA Office of Information and Technology entered into a partnership with the Walter Reed Army Medical Center to establish the *VET IT* program. *VET IT* provides an opportunity for severely wounded service men and women to build their resume by volunteering with the VA until they are released from active duty. To date, we have had 35 participants, of which 15, who wished to join VA have either been hired or are in the process of being hired by VA.
- *MyHealtheVet*, is a web-based application, which creates a new, online environment where veterans, family members, and clinicians may come together to optimize veterans' health care. Web technology combines essential health record information and is enhanced by online health resources that enable and encourage patient/clinician collaboration. In April 2005, there were over 56,000 registrants – up 48 percent over last year; 93 percent of registrants are veterans, and 59 percent are VHA patients. Unique visitors are up 198 percent from last year, with return visitors up 300 percent.
- VA completed, certified, and accredited nearly 650 VA information systems. The Department's compliance rate is expected to rise from only 12 percent, the lowest in the Federal Government, to nearly 100 percent by August 31, 2005. This effort represents a concerted, centralized effort to demonstrate the effectiveness of system of security controls that is unprecedented in its scope.
- Since October 2004, over 340,000 copies of the new VHA electronic Application for Health Care Benefits (10-10EZ) have been downloaded from the VHA website. Veterans now have the ability to complete the form on-line and submit data directly to the medical facility where they seek treatment.

GOVERNANCE – We strive to improve the overall governance and performance of VA by applying sound business principles, ensuring accountability, and enhancing our management of resources through improved capital asset management; acquisition and competitive sourcing; and linking strategic planning, budgeting, and performance.

- VA senior leaders held Monthly Performance Reviews to evaluate financial and program performance, examine workload trends, and review the status of key construction and information technology projects. As needed, senior management identified corrective actions.
- GAO highlighted VA's audit recovery program as both an effective financial management practice and a best practice. VA recovered over \$9.6 million in duplicate and erroneous payments.
- VA increased the total medical care collections in each of the last three fiscal years from \$768 million in 2001 to \$1.702 billion in 2004.
- In 2005, VA updated an actuarial model that provides more accurate, comprehensive, and accessible estimates of the veteran population through the year 2029.
- VA has worked with DoD to establish *Operation New Hope*. Using the DoD website, VA can now screen and requisition property along with other DoD entities and humanitarian organizations. This has allowed VA to maintain an adequate quantity of excess clothing to distribute to the many *Stand Downs* and *Outreach Programs* nationwide. To date, the program has distributed approximately \$150 million in surplus clothing and related items to homeless veterans.

- The *Mercatus Center* of George Mason University rated VA's FY 2004 Performance and Accountability Report third best in the Federal Government. VA is one of only two agencies whose reports have been ranked among the top three every year that the *Mercatus Center* has conducted its evaluations.
- VA established the Enterprise Program Management Office initiative to improve and standardize the management, oversight, and reporting of the IT portfolios and projects across VA. Standard practices and training ensure a greater probability of achieving consistent, repeatable project results in support of VA's mission and goals. Between FY 2003 and FY 2004, VA achieved an increase of 94 percent in the number of certified Project Managers.

THE PRESIDENT'S MANAGEMENT AGENDA

Strategic Management of Human Capital

In 2004, the Department implemented a web-based workforce planning process at all levels for the purpose of enhancing VA's ability to recruit, develop and retain a quality workforce. Each organizational plan identifies strategies, challenges, mission-critical occupations, and action plans to address gaps. Statistical data is obtained using a state-of-the-art database analysis tool. The Department's Workforce and Succession Plan for FY 2005-2008 has been completed and is in the final review stage. VA has also developed and implemented voluntary on-line entrance and exit surveys that have 18,000 entrance and 7,000 exit survey responses. These surveys provide valuable information for enhancing the VA work environment. This contributes to VA's achieving its mission by attracting and retaining the highest qualified employees.

Accountability is one of the six *Human Capital Standards* for success under the PMA. VA's accountability system is used to assess the current status of its human capital management processes, measures, and results. We also analyze human capital data to assess results, identify risks, ensure that controls are in place to address problems, and modify strategies and activities. VA also implemented an accountability program that involves 100 percent of VA facilities and uses a web-based automated process to report information. Several field audits have been completed, and the first annual *HR Accountability Report* is in the final review process. In March 2005, VA launched the National Veterans Employment Program website, which communicates priorities of the program and educates selecting officials on veterans' preference and hiring authorities developed to assist veterans in gaining federal employment.

Expanded Electronic Government

VA has made significant progress in the areas of information security, enterprise architecture, project management and oversight, and implementation of federal electronic government initiatives. As a result of these efforts, VA's business processes are providing better access to VA's programs for veterans and their families.

As of April 2005, there were over 56,000 patients registered in the *MyHealtheVet* system – up 48 percent over the same time last year. Ninety-three percent of the registrants are veterans and 59 percent are active VA patients. Unique visitors are up 198 percent from last year with return visitors up 300 percent. The latest innovation in *MyHealtheVet* is adding an Internet prescription refill function to the system. This function is currently undergoing alpha testing with an anticipated nation-wide release by the end of 2005.

In support of the federal crosscutting initiative, *E-Authentication*, VA has finalized the Memorandum of Understanding with General Services Administration (GSA) to implement an *E-Authentication* system to demonstrate production deployment of VA's widely used forms and applications by veterans applying for health services. In addition, VA has signed official agreements with managing partner agencies, provided funds, and committed to support a range of *E-gov* initiatives, including *GovBenefits*, *E-Loans*, *Integrated Acquisition Environment*, *E-Payroll*, *USA Services*, *E-Rulemaking*, *E-Training*, *E-Travel*, *E-Grants*, *E-Records Management*, *E-Authentication*, *E-Clearance*, *Enterprise Human Resource Initiative*, *Recruitment One-Stop*, *Business Gateway and Financial Management*, *Human Resources*, and *Grants and Federal Health Architecture Lines of Business*.

VA's Office of Finance is participating in two key *E-Gov* initiatives: *E-Travel* and *E-Payroll*. VA has begun action to migrate to one of the GSA's mandated *E-Travel* services. VA-wide implementation of *E-Travel* will commence by the end of the calendar year. VA is continuing efforts associated with the administration's *E-Payroll* consolidation initiative, which will reduce the number of payroll providers from 22 to 4. The Defense Finance and Accounting Service (DFAS) was mandated to become the sole payroll provider for VA. VA has entered into an Interagency Agreement with DFAS to allow for the exchange of VA payroll/human resources data between the two agencies to effect the consolidation of VA payroll services. VA is also actively participating in the Presidential *E-Rulemaking* initiative. VA is receiving public comments on its regulations through electronic means, and will be implementing the Federal Document Management System in FY 2006.

Budget and Performance Integration

VA is making good progress in this area largely through the implementation of Monthly Performance Reviews with senior management, the integration of performance information with our annual resource request to Congress, and our success in identifying and reporting the full cost of achieving performance targets presented in the budget. Both the Monthly Performance Reviews and the integration of performance information into the annual resource request enable management to identify areas where program performance would be improved given a greater level of resources. Alternatively, where programs are competing for scarce resources, integrated information helps VA leadership direct budget dollars to areas that will achieve the most beneficial results on behalf of the veteran.

During the coming year, VA will focus on three elements in order to continue our steady progress in implementing this initiative. First, we will work toward development of improved measures of both program efficiency and program outcomes. During the FY 2007 OMB Program Assessment Rating Tool (PART) reviews, both outcome and efficiency measures were developed for each of the three programs reviewed. At present, VA has at least one efficiency measure for each of its programs. In addition, the majority of VA's 24 key measures, those that focus on the Department's critical activities, are outcome and efficiency measures. Second, we will launch an effort to develop estimates of the *marginal cost* of changing performance in order to improve our understanding of the relationship between resources and results. Finally, we will focus on key actions that not only improve our PART scores, but which improve program performance and clearly demonstrate how VA programs improve the lives of veterans and their families.

Improved Financial Performance

In FY 2004, VA continued its tradition of financial excellence by receiving an unqualified (clean) audit opinion on its consolidated financial statements from the independent auditors for the sixth straight year. VA also met prescribed financial reporting deadlines, had no chronic or significant Anti-Deficiency Act violations, and incurred no new material weaknesses. VA also successfully corrected one material weakness, *Compensation and Pension System – Lack of Adaptability and Documentation*, cited under the Federal Managers' Financial Integrity Act (FMFIA).

VA continued efforts in FY 2004, which are ongoing in FY 2005, to assess and correct the two outstanding audit material weaknesses – *Information Technology Security Controls* and *Lack of an Integrated Financial Management System*. VA continues to make progress on improving *Information Technology Security Controls* and is completing a detailed review and analysis of the results of the *Core Financial and Logistics System* (CoreFLS) pilot program in relation to the *Lack of an Integrated Financial Management System* weakness. VA's corrective action plan, which details milestones for correcting the *Information Technology Security Controls* weakness, also details VA's initiative to implement a Financial Reporting Data Warehouse System Capability. VA has already completed corrective actions in FY 2005 associated with the FMFIA material weakness in VA's payroll system, and this weakness will be officially reported as closed in VA's FY 2005 Performance and Accountability Report.

In FY 2004, VA also continued to expand its use of the purchase card for micro-purchases, with a corresponding increase in rebates. VA received \$29.6 million in rebates in FY 2004, which were returned to VA facilities for their use in support of veterans programs. Rebates are expected to exceed \$31 million in FY 2005.

Competitive Sourcing

Competitive Sourcing allows agencies to determine whether commercial activities performed by Federal employees can be provided more efficiently by the private sector. At present, 38 U.S.C. 8110 (a) (5) prohibits the Department from conducting cost comparisons (or public-private competitions) on VHA positions unless Congress provides specific funding for the competitions. VA submitted a legislative proposal to Congress that would repeal this prohibition and allow competitive sourcing to be used, ensuring that the best possible value is obtained from appropriated health care funding. In the meantime, VA has initiated a rigorous Management Analysis/Business Process Reengineering (MA/BPR) program that aims to save the Department approximately \$730 million cumulatively from FY 2006 to FY 2011, which VA can then reinvest into VA's health care programs. VA would achieve these savings by reengineering processes to obtain the same type of result as the Most Efficient Organization produced by the OMB Circular A-76 process, but without taking the further step of competing the reengineered organization with the private sector through cost-comparison.

VA/DoD Collaboration

VA and DoD continue to work collaboratively to improve the effectiveness and efficiency with which health care services and benefits are provided to veterans and members of their families, active duty military, their dependents, and military retirees. In 2004, VA expanded its role with assistance in coordinating health care services and benefits for members of the Military Reserves and National Guard.

During the past year, the VA/DoD and Joint Executive Council (JEC) focused on (1) the Development of Joint Clinical Practice Guidelines; (2) the Interoperable Electronic Medical Record; and (3) the Benefits Delivery at Discharge Program (BDD). The development of joint clinical practice guidelines is contributing to the adoption of common standards that facilitate greater health system interoperability. In December 2004, two new domains for VA/DoD interagency standards were identified and implementation begun. Progress with the Interoperable Electronic Health Record has led to the inclusion of laboratory results into the two-way demonstration exchange initiative between Madigan Army Medical Center and the VA Puget Sound Health Care System. The BDD Program, which helps service member's transition to civilian life, issued detailed guidance to the military services in January 2005. There are currently 140 BDD sites located at military facilities.

Both VA and DoD are achieving success in improving cooperation in many other key areas that include financial management, joint facility utilization, capital asset planning, pharmacy, medical-surgical

supplies, procurement, patient safety, deployment health, clinical guidelines, geriatric care, contingency planning, medical education, and benefits delivery. The two Departments are collaborating in a unique initiative to share services, personnel, and physical plants at the Chicago VA Medical and the Great Lakes Naval Medical Centers. Working cooperatively, VA and DoD have established a central governing body to manage and oversee opportunities for shared medical services between the two facilities. They are sharing mammography services and have established a shared Women's Health Center for returning female veterans and new Navy recruits.

Faith-Based and Community Initiatives

In June 2004, the President issued Executive Order 13342 that created three new Centers for Faith-Based and Community Initiatives at the Department of Commerce, Department of Veterans Affairs, and the Small Business Administration. The purpose of the VA Center for Faith-Based and Community Initiatives is to coordinate agency efforts to eliminate regulatory, contracting, and other programmatic obstacles to the participation of Faith-Based and Other Community Organizations (FBCOs) in the provision of social and community services.

During 2005, the VA Center for Faith-Based and Community Initiatives achieved the following results: identified and began developing 12 pilot programs; conducted outreach and technical assistance efforts by participating in VA, Department of Labor, Veterans Service Organizations, and FBCOs conferences; produced informational materials; and activated a website that provides information about different programs. As an example of the results of these programs in April 2005, the Department, in conjunction with *Catholic Charities of Chicago*, began construction on the *St. Leo Residence for Veterans*, a 144 resident, studio-apartment-styled building for homeless veterans to live in, seek counseling, and gain employment. As part of the agreement, VA guaranteed a \$4.9 million loan to *Catholic Charities of Chicago* for the project. VA also plans to open a 16,000 square-foot outpatient clinic one block away from the *St. Leo Residence* that will feature primary care and specialty services.

Real Property Management

VA has fully deployed the new Capital Asset Management System – an integrated, Department-wide performance management system that enables VA to analyze, monitor, and manage its portfolio of capital assets including buildings, land, leases, agreements, equipment, and information technology within and across asset types, across their entire lifecycle, and against VA-wide portfolio goals.

VA produced its second five-year capital plan, a systematic and comprehensive framework for managing the Department's vast capital asset portfolio of more than 5,500 buildings and approximately 32,000 acres of land. This plan serves as a blueprint for effective management of the Department's capital investments, leading to improved resource utilization and effective health care and benefits delivery. VA was also recognized by OMB as a leader in the Federal Government for steps it has taken to improve the manner in which the Department manages its real property.

Eliminating Improper Payments

In FY 2004, VA identified 19 programs, totaling \$58.2 billion, for review under the *Improper Payments Information Act of 2002*. All of these programs were fully reviewed during the FY 2004 and FY 2005 cycles. A risk assessment of all 19 VA programs was accomplished, and a statistical sampling was performed on all programs. The statistical samples revealed that 12 of the programs had estimated improper payments of less than \$10 million; thus, no report was required for these programs. These included NCA's Burial Benefits, the Supply Fund, VHA's Research, Employee and Beneficiary Travel, Fee, Grants, Property, Plant and Equipment, Pharmacy, Prosthetics, and Communications and Utilities, the General Operating Expense and Other Salaries, and VHA Salaries.

In FY 2005, VA completed statistical samples for seven programs that met the requirements for reporting: VBA's Compensation, Dependency and Indemnity Compensation, Pension, Vocational Rehabilitation and Employment, Education, Insurance, and Housing programs. VA used quality reviews to correct systemic problems, identified critical reports and training needs, piloted a prototype automated claims processing system, and upgraded accountability for the quality of claims processing. These programs are being reviewed in order to correct any systemic problems that may emerge.

Medical Research and Development

VA continued training in human subject's protection, bio-safety, and animal use to ensure compliance with federal regulations and requirements. The VA/National Committee for Quality Assurance Accreditation Program recently granted accreditation for 10 VA field programs. VA also reviewed preliminary data on the NIH peer review and management system. VA will soon complete its assessment of usefulness of this system for future VA project management. In addition, VA selected a new Chief Research and Development Officer in May 2005, and initiated recruitment of other key leadership positions in this important area.

PMA Scorecard

The following chart illustrates the VA scorecard status of the President's Management Agenda initiatives between June 2004 and June 2005 as well the current implementation progress status as of June 30, 2005.

President's Management Agenda Scorecard

PMA Initiatives	Status As of June 30, 2004	Status As of June 30, 2005	Progress in Implementing As of June 30, 2005
Human Capital	Y	Y	G
Competitive Sourcing **	R	R	R
Financial Performance	R	R	Y
E-Government	Y	R	R
Budget and Performance Integration	Y	R	G
VA and DoD Coordination	Y	Y	Y
Real Property Management	*	Y	G
Faith-Based and Community	*	*	*
Medical Research and Development	*	R	Y
Improper Payment	*	Y	G

* Status and progress of areas is not applicable at this time.

** VA is prohibited from conducting health care competitive sourcing studies due to statutory prohibitions.